

Message Text

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ACTION NEA-07

INFO OCT-01 SS-14 ISO-00 EUR-08 NSC-05 NSCE-00 INR-05

INRE-00 SSO-00 EB-03 SIL-01 OMB-01 IGA-01 PRS-01

CIAE-00 L-01 SP-02 SSM-01 SAB-01 PM-03 DODE-00 IO-03

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O R 080901Z MAR 76

FM AMEMBASSY CAIRO

TO SECSTATE WASHDC IMMEDIATE 0763

INFO SECTREASURY IMMEDIATE

AMEMBASSY JIDDA

AMEMBASSY MOSCOW

AMEMBASSY ROME IMMEDIATE

C O N F I D E N T I A L SECTION 1 OF 2 CAIRO 3040

LIMDIS

TREASURY PASS SECRETARY SIMON

E.O. 11652: GDS

TAGS: USEGJC EGEN, EAID, OVIP (SIMON, WILLIAM), EG

SUBJECT: SIMON VISIT: MEETING WITH PRESIDENT SADAT

1. SUMMARY: IN WARM AND FRIENDLY ONE-HOUR MEETING WITH PRESIDENT SADAT, SECRETARY SIMON DISCUSSED BROAD RANGE OF US-EGYPTIAN RELATIONS, WITH PARTICULAR FOCUS ON ECONOMIC COOPERATION. HE REPORTED ON RESULTS OF HIS EARLIER MEETINGS WITH VARIOUS MINISTERS (REPORTED SEPTELS) AND CONVEYED ASSURANCES OF CONTINUED US SUPPORT TO DEVELOPMENT EFFORT. PRESIDENT SADAT SUMMARIZED THE STEPS BEING TAKEN BY GOE IN THIS REGARD, EXPRESSED HIS SINCERE GRATITUDE FOR THE ASSISTANCE THAT THE US HAS PROVIDED, AND STRONGLY CRITICIZED USSR FOR ITS PAST AND PRESENT POLICIES OF INTERFERENCE AND HARASSMENT.

END SUMMARY

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2. SECRETARY SIMON, ACCOMPANIED BY CHARGE MAESTRONE AND MESSRS SEIDMAN, PARSKY AND PECK, MET WITH PRESIDENT SADAT MARCH 7 FOR ONE-HOUR DISCUSSION CENTERED AROUND US EFFORTS TO ASSIST EGYPT IN SOLUTION OF ITS ECONOMIC PROBLEMS. ALSO ATTENDING MEETING WERE VP MOBAREK, PM SALEM AND MINFIN ABU ISMAIL. ATMOSPHERE WAS EXTREMELY CORDIAL AND RELAXED. AT CONCLUSION OF MEETING SADAT PRESENTED SECRETARY SIMON DECORATION COLLAR OF THE REPUBLIC IN APPRECIATION FOR HIS EFFORTS ON BEHALF OF EGYPT.

3. SECRETARY SIMON REPORTED THAT HIS MEETINGS WITH EGYPTIAN MINISTERS HAD BEEN, IN HIS OPINION, HIGHLY PRODUCTIVE. DISCUSSIONS HAD BEEN FRANK AND FRIENDLY, EVEN WHEN THE SUBJECT WAS DELICATE. HE SAID HE WAS SATISFIED WITH PROGRESS THAT WAS BEING MADE, AND WAS NOW INTERESTED IN FINDING WHAT ADDITIONAL STEPS COULD BE TAKEN TO ATTRACT INVESTORS. EVERYONE IS IMPATIENT TO GET THE JOB DONE, HE ADDED, AND WHEN THE PRESS IS NEGATIVE, AS IT USUALLY IS, IT SOMETIMES HAS AN UNFORTUNATE EFFECT. PEOPLE WONDER WHAT RESULTS HAVE BEEN OBTAINED FROM EFFORTS OF JOINT COMMISSIONS THAT HAVE BEEN HIGHLY PUBLICIZED.

4. PRESIDENT SADAT REPLIED THAT EGYPT WAS GOING THROUGH A DIFFICULT PERIOD. HIS TOUR THROUGH THE GULF STATES HAD BEEN A SUCCESS BUT EGYPT WOULD NEED CONTINUED HELP OVER A NUMBER OF YEARS IN ORDER TO STRENGTHEN ITS ECONOMY. THE ARABS WERE RAISING A FUND FOR EGYPT AND, WITH ADDITIONAL ASSISTANCE FROM THE IBRD, THE IMF AND THE US, WHOSE ROLE WOULD ALSO PROVIDE ASSURANCES TO ARABS AND EGYPTIANS THEMSELVES THAT APPROPRIATE STEPS WERE BEING TAKEN, HE SAID HE WAS SURE THAT NEXT FEW YEARS WOULD SHOW SIGNIFICANT IMPROVEMENT.

5. SECRETARY SIMON SAID HE RECOGNIZED THAT PRESIDENT SADAT HAD MADE A NUMBER OF DIFFICULT DECISIONS IN RECENT YEARS, INCLUDING DECISION TO EXPEL SOVIETS AND TO INSTITUTE PROGRAM OF ECONOMIC LIBERALIZATION. THESE ARE SIGNS, SIMON SAID, OF A TRUE STATESMAN, SINCE POLITICIANS OFTEN MAKE SHORT-TERM DECISIONS INTENDED TO PLEASE PEOPLE RATHER THAN INITIALLY UNPOPULAR DECISIONS WHICH PROVIDE MAXIMUM LONG-TERM BENEFITS.

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PRESIDENT SADAT ACKNOWLEDGED THAT DECISION TO PART WITH SOVIETS HAD BEEN DIFFICULT AND ADDED THAT IT HAS RESULTED IN USSR APPLYING EXTREME PRESSURES ON EGYPT. "THEY ARE SQUEEZING VERY HARD." HE SAID HE INTENDED TO MAKE SPEECH IN NEAR FUTURE WHICH, WHILE NOT INSULTING, WOULD PRESENT FACTS RE SOVIET UNION SO THAT THE PEOPLE COULD KNOW THEM. HE URGED THAT US STAY IN CLOSE CONTACT BECAUSE "SOVIETS ARE VICIOUS."

6. SECRETARY SIMON POINTED OUT THAT HIS VISIT TO ME HAD BEEN FORTUITIOUS, IN THAT IT FOLLOWED IN PART THAT OF PRESIDENT SADAT. IN RIYADH, FOR EXAMPLE, HE FOUND SAUDI ARABAINS AS MUTUAL FRIENDS OF BOTH EGYPT AND US, ARE READY TO HELP KEEP EGYPTIAN ECONOMY FUNCTIONING AT SAME TIME THAT EFFORTS ARE MADE TO DEVELOP INFRASTRUCTURE AND INVESTMENT INFOLOW.

7. SADAT AGREED THAT A PARALLEL EFFORT WAS REQUIRED. HE SAID HE HAD TOLD ARABS HE DID NOT WISH TO COME EVERY YEAR AND THEREFORE SOUGHT SOME FORM OF LONGER-TERM AGRRANGEMENT. HE TOLD ARABS NOT TO GIVE AID (I.E., GRANTS), BUT TO PROVIDE LONG-TERM LOANS OR MAKE INVESTMENTS IN JOINT VENTURES. AS ILLUSTRATION OF THIS DESIRE TO ENCOURAGE DEVELOPMENT OF INTERDEPENDENCY AMONG ARABS, SADAT RECALLED THAT HE HAD REFUSED TO ACCEPT OFFER FROM KING FAISAL TO PROVIDE TOTALITY OF FUNDS REQUIRED FOR SUMED PIPELINE (\$400 MILLION) AND HAD INSTEAD URGED PARTICIPATION BY OTHER ARAB COUNTRIES IN THIS VENTURE.

8. PRESIDENT EXPRESSED DEEP GRATITUDE OF THE EGYPTIAN PEOPLE FOR THE USG PROPOSAL TO CONGRESS FOR FINANCIAL ASSISTANCE. HE CONSIDERED IT TO BE AN IMPORTANT MANIFESTATION OF THE DEEP UNDERSTANDING BETWEEN THE TWO COUNTRIES. THE PEOPLE OF EGYPT SHARE THIS FEELING "FROM THE HEART" AS SECRETARY SIMON HAD HIMSELF HAD AN OPPORTUNITY TO OBSERVE, AND WHICH PRESIDENT FORD WOULD ALSO HAVE A CHANCE TO SEE.

9. SECRETARY SIMON SAID THAT PRESIDENT FORD HAD ASKED HIM TO CONVEY ASSURANCES OF AMERICAN DETERMINATION AND COMMITMENT TO BE OF ALL POSSIBLE ASSISTANCE TO EGYPT. HE SAID HE HAD BEEN DELIGHTED WITH HIS RECEPTION IN EGYPT AND SATISFIED WITH THE RESULTS OBTAINED IN HIS MEETINGS. HE ADDED THAT, IN CONFIDENTIAL

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HIS DISCUSSIONS WITH PRESIDENT ASAD IN DAMASCUS, WHICH LASTED FOR TWO HOURS, HE HAD FOUND THAT, WHILE THERE WERE DIFFERENCES FROM THE POLITICAL POINT OF VIEW, THERE WAS ALSO COMPLETE UNDERSTANDING THAT UNLESS THERE IS PEACE, NO LEADER CAN FULFILL THE NEEDS OF HIS PEOPLE. THEREFORE, ECONOMIC COOPERATION MAY LAY THE GROUNDWORK FOR THE SOLUTION TO POLITICAL DIFFICULTIES.

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FM AMEMBASSY CAIRO

TO SECSTATE WASHDC IMMEDIATE 764

INFO SECTREASURY WASHDC IMMEDIATE

AMEMBASSY JIDDA

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10. SADAT NOTING THAT PEACE IS
ESSENTIAL TO ALL COUNTRIES, DESPITE TEMPORARY POLITICAL DIFFERENCES.
ASAD HAD BEEN SKEPTICAL UNTIL THE CONCLUSION OF SINAI II, BUT
NOW HE WISHES TO BE A MAN OF PEACE. ARABS ALL KNOW THAT EGYPT
WILL ALWAYS HAVE THE KEY TO PEACE OR WAR IN THE MIDDLE EAST.
EGYPT IS DETERMINED TO FOLLOW COURSE OF PEACE AND ECONOMIC
DEVELOPMENT, IF AT ALL POSSIBLE.

11. SECRETARY SIMON SAID THAT HE HAD MET THAT MORNING
WITH US/EGYPTIAN JOINT BUSINESS COUNCIL. WHILE SENIOR MEMBERS
FOR US SIDE, WHICH CONSTITUTE ONE OF MOST
PRESTIGIOUS BUSINESS GROUPS IN EXISTENCE, WERE NOT PRESENT,
THEY ARE ALL COMMITTED TO FURTHERING PRIVATE INVESTMENT
IN EGYPT. THEY RECOGNIZE THAT DRAMATIC CHANGES IN ITS
ECONOMY OF TYPE CAN TAKE PLACE ONLY OVER TIME. PRESIDENT
SADAT REPLIED THAT PATIENCE IS REQUIRED AND THAT IMPLEMENTATION
WILL INDEED TAKE TIME. ROAD IS NOW PAVED, HOWEVER, AND
FORWARD MOTION CAN BEGIN. HE STRESSED THAT EGYPTIANS HAVE
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NOTHING TO HIDE, "WE WANT TO BE AT PEACE WITH OURSELVES AND
WITH OUR FRIENDS." HE SAID HE LOOKED FORWARD TO ESTABLISHMENT
OF CONSORTIUM OF US AND EUROPEAN COUNTRIES AS MEANS OF

FURTHERING THIS EFFORT.

12. SECRETARY OFFERED GERMANY AS EXAMPLE OF COUNTRY THAT CAN HELP AND WHICH ALSO SERVES AS MODEL OF WHAT EGYPT WANTS. PRESIDENT SADAT SAID THAT AUSTRIA WAS PERHAPS BETTER MODEL. HE SAID KREISKY, WHO STARTED AS A COMMUNIST, NOW HAS A MIXED SOCIALIST/PRIVATE ECONOMY WHICH HAS PRODUCED PROSPERITY WHICH AMAZED HIM WHEN HE WENT THERE TO MEET WITH PRESIDENT FORD. KREISKY HAS PROVIDED WHAT PEOPLE WANT AND AS RESULT, COMMUNISTS CAN NO LONGER WIN ELECTIONS. SECRETARY SIMON AGREED, NOTING THAT PEOPLE VOTE THEIR "POCKETBOOKS."

13. SADAT EMPHASIZED THE ECONOMIC TURNING POINT IS COMING NOW. SINCE 1962 EGYPTIAN ECONOMY HAS BEEN IN CHAOS AS RESULT OF TURNING TO SOCIALISM. EGYPT HAS RESOURCES AND POTENTIAL, BUT WILL NEED TECHNICAL HELP, ESPECIALLY IN AGRICULTURE. HE SAID HE HAD INSTRUCTED PM TO FOCUS ON AGRICULTURE AS BASIS OF ECONOMY, AND HOPES AT LEAST TO DOUBLE OUTPUT IF US TECHNICAL ASSISTANCE CAN BE OBTAINED. HE NOTED THAT SOVIETS HAVE NOW TURNED TO WESTERN TECHNOLOGY IN EFFORT TO SOLVE THEIR AGRICULTURAL PROBLEMS IN TACIT ADMISSION THAT THEIR SYSTEM HAS FAILED. EGYPT HOPES TO STRESS AGRO-INDUSTRIES AS ONE OF PRINCIPAL MEANS OF ACHIEVING OUTPUT GOALS.

14. PRESIDENT SAID THAT, IN RECENT MEETING WITH IL COMPANY REPS, HE WAS TOLD THAT, ON BASIS OF RECENT DISCOVERIES, GOE OBJECTIVES OF PRODUCING ONE MILLION BARRELS A DAY BY 1980 CAN NOW BE CONSIDERED AS MODERATE. PETROLEUM PROSPECTS ARE THEREFORE QUITE GOOD, AND PROVIDE SOLID BASIS FOR DEVELOPMENT PLANNING, ALTHOUGH NEXT FEW YEARS WILL BE DIFFICULT.

15. SADAT AGAIN EMPHASIZED THAT SOVIETS ARE BEING "VICIOUS". THEY ARE FAMILIAR WITH PRESENT ECONOMIC SITUATION AND ARE DOING THEIR BEST TO UNDERMINE EGYPT AND PROVOKE A CRISIS. AS ILLUSTRATION HE RELATED THAT EARLY IN 1975, DURING TIME OF ABORTED SINAI II NEGOTIATIONS, HE HAD RECEIVED A REPORT IN ASWAN FROM THEN INTERIOR MINISTER SALEM WHICH STATED THAT
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USSR WAS INSTRUCTING COMMUNISTS IN EGYPT TO BE PREPARED TO MOVE. EGYPT'S ECONOMY WOULD COLLAPSE IN SUMMER OF THAT YEAR. SADAT SAID HE HAD LAUGHED AFTER READING REPORT, WONDERING WHAT CRISIS WAS COMING. LATER, AFTER CHANGING HIS GOVERNMENT, HE LEARNED THAT MAJOR LIQUIDITY CRISIS WAS IMMINENT. IF IT HAD NOT BEEN FOR \$1.1 BILLION OBTAINED FROM SAUDI ARABIA AND KUWAIT, ECONOMY WOULD HAVE INDEED COLLAPSED.

16. PRESIDENT CONTINUED THAT COMMUNISTS ARE SAYING SAME THING THIS YEAR, I.E., THAT ANOTHER FINANCIAL CRISIS IS COMING

IN SUMMER. RECENT GULF TOUR HAS HELPED TO ALLEVIATE SITUATION, AND PRESIDENT IS CONFIDENT THAT ASSISTANCE FROM IBRD, IMF AND OTHER FRIENDS WILL BE OF FURTHER ASSISTANCE.

HE STRESSED THAT HE INTENDS TO KEEP INITIATIVE, INSOFAR AS EGYPTIAN COMMUNISTS ARE CONCERNED, AND SHALL ACT, NOT REACT. DIFFERENCE BETWEEN US AND USSR ATTITUDES, HE FELT, WERE REVEALED IN EVENT OF 18 MONTHS OR SO AGO, IN WHICH HE READ OF US COMMITMENT OF \$2.1 BILLION TO ISRAEL ON SAME DAY HE RECEIVED A LETTER FROM RUSSIANS DEMANDING PAYMENT FOR LE 70 MILLION AS INTEREST ON MILITARY DEBT. US GIVES, USSR TAKES, HE SAID.

17. THIS CONTRAST REVEALED DIFFERENCE BETWEEN AMERICANS AND EUROPEANS, PRESIDENT SADAT ADDED. AMERICANS ARE FRIENDLY, WARM, AND OPEN, AND EGYPTIANS ARE AWARE OF AND APPRECIATE THIS FACT. SECRETARY SIMON STRESSED FACT THAT AMERICANS AND EGYPTIANS ARE NATURAL FRIENDS DESPITE ANY ESTRANGEMENT WHICH MAY HAVE TAKEN PLACE IN THE PAST.

18. AS MEETING CONCLUDED, PRESIDENT SADAT PRESENTED SECRETARY SIMON WITH HIGH EGYPTIAN DECORATION OF COLLAR OF THE REPUBLIC IN RECOGNITION OF HIS EFFORTS ON BEHALF OF EGYPT.

19. NOTE: AT SAME TIME SECRETARY AND PRESIDENT WERE MEETING, MRS. SADAT ENTERTAINED MESDAMES SIMON AND SEIDMAN, ACCOMPANIED BY MRS. EILTS AND MRS. MAESTRONE.

20. ABOVE MESSAGE PREPARED AFTER SECRETARY SIMON'S DEPARTURE. MAESTRONE

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